

# CHUAN HUAT RESOURCES BERHAD

Registration No. 199401005050 (290729-W)

## TERMS OF REFERENCE OF NOMINATION AND REMUNERATION COMMITTEE

(2023)

## 1. OBJECTIVES

- 1.1 The primary function of the Nomination and Remuneration Committee (“**NRC**”) is to assist the Board of Directors (“**Board**”) in reviewing the structure, size, composition of the Board and senior management, and remuneration based on the following principles:
- ensure the Board is of an effective composition, size and commitment to adequately discharge its responsibilities and duties in meeting the Company’s goals and objectives;
  - ensure an appropriate framework and succession plans to achieve diverse talent pipelines for the Board and senior management;
  - ensure the appointment of Board members and senior management are based on objective criteria such as diversity in skills, experience, expertise, professionalism, integrity, age, gender and background;
  - ensure the composition of the Board is refreshed periodically;
  - the remuneration of Directors are well-structured and linked to the strategic objectives of a company, and reward contribution to the long-term success and growth of the Company; and
  - the remuneration policies and procedures are made through a transparent and independent process.

## 2. COMPOSITION

- 2.1 Members of the NRC shall be appointed by the Board amongst its Directors and shall consist of not less than three (3) members which comprise exclusively of Non-Executive Directors, with a majority of them being Independent Non-Executive Directors.
- 2.2 The Chairman of the Board shall not be a member of the NRC.
- 2.3 Where the members of the NRC for any reason are reduced to less than three (3), the Board shall, based on the recommendations of the NRC, within three (3) months from the occurrence of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

## 3. CHAIRMAN

- 3.1 The Chairman of the NRC shall be an Independent Non-Executive Director or the Senior Independent Non-Executive Director.
- 3.2 In the absence of the Chairman of the NRC or if the Chairman of the NRC is not present at any NRC meeting within fifteen (15) minutes after the time appointed for holding the meeting, the other members of the NRC shall amongst themselves elect a Chairman who must be an Independent Non-Executive Director to chair the meeting.

3.3 The Chairman of the NRC shall:

- (a) lead the succession planning and appointment of directors, and development of a diverse pipeline for board and management succession.
- (b) lead the annual review of board effectiveness, ensuring that the performance of each individual director is independently assessed.

#### **4. SECRETARY**

4.1 The Company Secretary shall be the Secretary of the NRC.

#### **5. QUORUM AND MEETING PROCEDURES**

5.1 The NRC shall meet at least once a year or as and when the NRC deems necessary to fulfil its responsibilities.

5.2 The NRC meeting may be held at two (2) or more venues within or outside Malaysia using any technology that enables all persons to participate for the entire duration of the meeting. The technology to be used may include telephone conference, video conference or such other communication equipment or electronic means which allow all persons participating in the meeting to communicate, hear, speak and/or see each other simultaneously and instantaneously.

5.3 A virtual meeting shall be deemed to constitute a NRC meeting provided the following conditions are met:

- (a) all the NRC members for the time being entitled to receive notice of the NRC meeting shall be entitled to receive notice of a virtual meeting. Notice of any such meeting shall be given by an appropriate form of technology (or in such other manner) as may be permitted by the Constitution of the Company; and
- (b) a NRC member may not leave a virtual meeting by disconnecting from the technology used unless he/she has previously expressly notified the Chairman of the meeting of his/her intention to leave the meeting and a NRC member shall be conclusively presumed to have been present and have always formed part of the quorum during such a meeting until such notified time of his/her leaving the meeting.

5.4 The main venue of the meeting shall be the place where the Chairman is present or the Chairman of the meeting is present, if the meeting is not chaired by the Chairman.

5.5 The quorum for the meeting shall be two (2) members.

5.6 The Company Secretary in consultation with the Chairman of the NRC, shall draw up the agenda of the meeting. The agenda, together with the relevant meeting or supporting papers, shall be circulated five (5) business days in advance, or such shorter period where it is unavoidable, prior to each meeting to the members of the NRC.

5.7 The NRC may, as and when deemed necessary, invite any Board members or any member of senior management or any employee or consultant, who the NRC thinks fit, to attend its meetings to assist and provide pertinent information as necessary.

- 5.8 A matter put to vote at the NRC meetings shall be decided by a simple majority of the votes. In the case of an equality of votes, the Chairman shall have the casting vote.
- 5.9 A member of the NRC who has an interest or is involved directly or indirectly in any matter under consideration by the meeting, shall abstain from deliberating and voting.

## **6. MINUTES**

- 6.1 The Company shall cause minutes of all proceedings of the NRC meeting to be entered in the minutes books for that purpose. Minutes of each meeting shall be signed by the Chairman of the meeting at which proceedings were held or by the Chairman of the next succeeding meeting.
- 6.2 Minutes shall be kept by the Company at the registered office and shall be open for inspection by any NRC member or Board member.
- 6.3 The minutes of each NRC meeting shall be presented at the Board meeting for notation.

## **7. NRC CIRCULAR RESOLUTION**

- 7.1 A resolution in writing signed by a majority of the NRC members for the time being shall be as valid and effectual as if it had been passed at a meeting of the NRC duly called and constituted.
- 7.2 The resolution may consist of several documents in like form, each signed by one (1) or more NRC members. Such document may be accepted as sufficiently signed by a NRC member if it is transmitted to the Company by facsimile or other electrical or digital written message or any technology purporting to include a signature and/or an electronic or digital signature of the said NRC member.

## **8. REPORTING**

- 8.1 The NRC, through its Chairman, shall report a summary of significant matters to the Board at the next Board meeting after each NRC meeting. When presenting any recommendations to the Board for approval, the NRC shall provide such background and supporting information as may be necessary for the Board to make an informed decision.

## **9. AUTHORITY**

- 9.1 The NRC shall in accordance with a procedure to be determined by the Board and at the expense of the Company:
- a) have the resources which are required to perform its duties;
  - b) have full and unrestricted access to all information and documents within the Group to perform its duties;
  - c) obtain external professional advice or other advice and invite persons with relevant experience to attend its meetings, if necessary; and
  - d) seek input from management on remuneration policies, but no individual should be directly involved in deciding their own remuneration.

## 10. DUTIES AND RESPONSIBILITIES

10.1 The duties and responsibilities of the NRC on nomination matters are as follows:

- a) identify, consider and recommend to the Board, suitable candidates for appointment as Directors taking into consideration the Company's Fit and Proper Policy. The NRC does not solely rely on recommendations from the existing Board members, management or major shareholders, but shall also utilise independent sources to identify suitably qualified candidates. In making the recommendations, the NRC shall:
  - i) assess the candidates' expertise, skills, knowledge, experience, professionalism, commitment, contribution, performance, integrity, competence and character;
  - ii) consider Board diversity including age and gender;
  - iii) in the case of candidates for the position of Independent Non-Executive Directors, evaluate the candidates' ability to discharge such responsibilities or functions as are expected from Independent Non-Executive Directors; and
  - iv) in the case of candidates filing seats in respect of the Audit and Risk Management Committee ("ARMC") in particular, to ensure the candidate is financially literate and possesses a wide range of necessary skills to discharge his/her duties.

If the selection of candidates was solely based on recommendations made by existing Board, management or major shareholders, the NRC should explain why other sources were not used.

- b) recommend to the Board the re-election of Directors who retire by rotation pursuant to the Constitution of the Company and re-appointment of Directors who retire pursuant to relevant sections of the Companies Act 2016.
- c) assess and recommend for the approval by the Board, new and re-appointed nominees, (where applicable) for directorship, chairmanship and/or membership to the respective Board Committees.
- d) request additional information from the Board, if deemed necessary, any appointment, cessation, suspension, dismissal and/or any staff movement including re-designation, re-deployment, transfer or secondment of senior management of the Group.
- e) assess and review on an annual basis the performance and effectiveness of the Board as a whole, Board Committees, and the contribution of each individual Director and MD/CEO to ensure that the Board has the required mix of skills, qualifications, experience, gender diversity, commitment and other qualities, including core competencies which they should possess in order to serve the Board effectively and efficiently. All assessments and evaluation carried out by the NRC in the discharge of its duties shall be disclosed in the Annual Report.

- f) review the tenure of each director and ensure that the annual re-election of a director is based on satisfactory evaluation of the Director's performance and contribution to the Board.
- g) evaluate and review the performance of the Board in addressing the Company's material sustainability risks and opportunities.
- h) review and assess the independence of Independent Non-Executive Directors on an annual basis and that the Directors meet the identified independence criteria and are not disqualified under the relevant regulations.
- i) assess and recommend to the Board, the independent directors' potentiality in the event of retaining them as independent directors after serving in that capacity for a cumulative term of nine (9) years.
- j) review Board and senior management succession plans and development of a diverse pipeline for Board and management succession-
- k) review periodically the job descriptions of MD/CEO and/or Executive Directors.
- l) consider and recommend to the Board for approval, the appropriate size of the Board and Board Committees to facilitate effective decision making after taking into consideration the scope and nature of the operations of the Group.
- m) ensure the Board composition is refreshed periodically contingent upon satisfactory evaluation of directors' performance and contribution to the Board.
- n) ensure the Board shall at least, have one (1) woman director pursuant to Paragraph 15.02 (1)(b) of the Listing Requirements of Bursa Malaysia Securities Berhad while pursuing the target of at least 30% women Directors and to review the participation of women in senior management to ensure there is healthy talent pipeline.
- o) facilitate Board Induction Programme and training for newly appointed Directors.
- p) review and recommend to the Board, the development and implementation of the relevant policies and procedures on nomination related matters concerning the Group.
- q) identify suitable educational and training programmes for continuous development of Directors to ensure the Directors keep abreast with development in the industry, regulatory changes and Board business trends.
- r) review annually the term of office, effectiveness and performance of the ARMC and each of its members to determine whether the ARMC and its members have carried out their duties in accordance with their terms of reference.
- s) consider and examine such matters as the NRC considers appropriate.
- t) carry out such other duties or functions as may be delegated by the Board from time to time or required by the regulatory authority.

- u) review the attendance of the Board and Board Committee(s) meeting.

10.2 The duties and responsibilities of the NRC on remuneration matters are as follows:

- a) implement Group's policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Directors and recommend to the Board for approval.
- b) in determining the remuneration packages of Directors, the NRC should take into consideration the following:
  - i) qualification and professionalism;
  - ii) technical competency, skills expertise and experience;
  - iii) roles and responsibilities; and
  - iv) aligned with the business and risks strategies, and long-term objectives of the Group.
- c) review policies and procedures on remuneration of Directors and key senior management, to ensure that the remuneration packages are determined on the basis of the individual's merit, qualification and competence, after taking into consideration the complexity of the Group's business and performance, the individual's responsibilities, comparable market statistics, and their roles in addressing the Company's material sustainability risks and opportunities and achieving sustainability targets.
- d) review compensation policy of Directors and ensure the compensations offered are in line with market practice.
- e) ensure fees and benefits payable to Directors are approved by shareholders at general meeting.
- f) recommend to the Board any performance related pay scheme for the Company or Group.
- g) recommend to the Board on the appointment of experts or consultants, where necessary to fulfil its responsibilities.
- h) carry out other responsibilities, functions or assignments as may be delegated by the Board from time to time.

## 11. REVIEW OF THE TERMS OF REFERENCE

11.1 Any amendments to these terms of reference are to be approved by the Board. These terms of reference shall be reviewed and updated periodically in accordance with the needs of the Company as well as any development in the rules and regulations that may have an impact on the discharge of the responsibilities of the NRC.

11.2 The terms of reference is made available for reference on the Company's website at [www.chuanhuat.com.my](http://www.chuanhuat.com.my).